GOVERNMENT OF INDIA
RAILWAYS
LOK SABHA

UNSTARRED QUESTION NO:2011
ANSWERED ON:09.03.2006
DIVERSION OF FUNDS OF NORTH EASTERN RAILWAY REGION
Ramadass Prof. M

Will the Minister of RAILWAYS be pleased to state:

(a) whether the funds earmarked exclusively for North Eastern Railway Region are diverted to other regions;

(b) if so, the reasons therefor;

(c) whether the fixation of 14 per cent Internal Rate of Return for projects in North Eastern Region is not very high;

(d) if so, whether the Railways would consider to relax the norms of financial viability for projects in North Eastern Region;

(e) if so, whether the Railways would determine the economic viabilities of a project on a better basis by taking into account the prevailing interest rate and socio-economic considerations of the Region; and

(f) if so, the details in this regard?

Answer

MINISTER OF THE STATE IN THE MINITRY OF RAILWAYS (SHRI R. VELU)

(a) to (f) : A statement is attached.

STATEMENT REFERRED TO IN REPL Y TO PART (a) TO (t) OF THE UNSTARRED QUESTION NO.2011 BY PROF. M. RAMADASS TO BE ANSWERED IN LOK SABRA ON 9.3.2006 REGARDING DIVERSION OF FUNDS OF NORTH EASTERN RAIL WAY REGION

(a): No, Sir.

(b): Does not arise.

(c) to (f): The prescribed cut-off rate of return (14%) being followed in Indian Railways for determining the financial viability of projects constitutes not only the cost of capital but also provision for capital formation, risk factors etc. Besides paying dividend to General Revenue, the Indian Railways are required to make provisions for Depreciation Reserve Fund (DRF), Pension Fund and Development Fund (DF). Since railways have initiated a plan to cater to the modernization, operational improvement and throughput enhancement for quantum jump in the traffic expected on Indian Railways, it has become imperative that adequate surplus is generated to take care of the requirements of Development Fund (DF). There is a crying need to increase the internal generation of resources for financing projects. Therefore only those projects, which are capable of generating high returns, need to be taken up. To enable selection of such projects, it is necessary to keep the cut off percentage of rate of return (ROR) at sufficiently high level and this justifies 14% ROR as cut off percentage for selecting projects for investment. Railways are conscious of their responsibilities towards socio-economic and industrial development of backward areas not connected by a reliable transport network. Regardless of the benchmark of 14%, many projects on Indian Railways including works on North Eastern region are sanctioned on socio-economic and developmental considerations. At present, 6 new line projects and 5 gauge conversion projects which are not financially viable are being executed in North Eastern region. Jiribarn-Imphal Road (Tupul), Kumarghat-Agartala new line projects and Lumding-Si1char-Jiribarn gauge conversion project have been declared as National Projects.